

USDA Agricultural Outlook Forum 2002

“Farm Policy Principles and Proposals”

Remarks

by

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Good afternoon. It is a pleasure to be here today to discuss with you the principles that the National Cattlemen's Beef Association has applied to the development of the current farm bill and the proposals that are in line with our principles.

NCBA is a policy driven organization. Policy is developed by our members at two annual membership meetings held in the summer and during the winter. Our traditional approach to farm policy has been one of limited government intervention in the market place. Our policy states that NCBA should work to "minimize direct federal involvement in agriculture." And that "National agricultural policy should be oriented to a free, private enterprise competitive system." NCBA policy discourages "farm policy which guarantees a profit or restricts the operation of the competitive market place."

Many have scoffed at NCBA's historical approach to farm policy particularly when we called for phasing out all commodity programs. But the Nation's cattlemen had reason to adopt these policies. These policies were established during the days when US domestic farm policy determined the well being of one commodity at the expense of another. Many times other commodities benefited at the expense of the beef industry. You may remember these historical episodes.

- In early 1970's, USDA sold grain stocks, grain prices soared and cattle losses mounted. Then beef prices were frozen and cattle losses continued to increase. Many former cattle producers point to this episode as the particular government intervention that made them leave the beef industry.
- 1983 Payment in Kind Program—Used government stocks to pay for removing 82 million acres from production resulting in artificially high grain prices.
- 1985 Farm Bill—Dairy Buyout. A \$1 Billion hit to the beef industry
- Loan programs that inflated the price of grain during times of "surplus" forcing the beef industry to bear the burden of farm policy.

It was precisely these events that resulted in the beef industry's opposition to commodity programs.

Thankfully times change. The havoc wrought by these episodes helped the beef industry and the rest of agriculture recognize how destructive farm policy can actually be. When the 1996 farm bill debate began, NCBA was committed to a bill that avoided past mistakes. The 1996 Farm Bill took a market-based approach that allowed grain to trade at the market price. Cattle producers no longer had to pay an artificial government floor price to buy grain out of government storage. Cattle producers no longer had to bear the burden of farmers' subsidized grain prices.

I mention this historical perspective because it has driven NCBA's principled approach to farm policy and farm bill development.

Early last year, in testimony before the House and Senate Agriculture Committees, NCBA testified that:

“The members of NCBA understand that farm programs are a major component of US domestic policy and will remain so for the foreseeable future. Therefore, NCBA has been and will continue to be focused on ensuring that farm policy does not benefit one part of agriculture at the expense of another. NCBA will not consent to US farm policy that is financed out of the pockets of the beef industry”.

The particular proposals that NCBA was most concerned about were:

- Mandatory set-asides, acreage reduction programs and production controls
- Farmer-Owned Reserve
- Non-Recourse Loan Forfeitures
- "Flex-Fallow" type program
- Federal dairy buyout, herd reduction program or mandatory dairy supply-management.

None of these proposals are part of either the Senate or the House farm bill.

On loan rates, we testified that “As long as the loan program is focused on marketing loans and there is political willingness to accept the resulting budget exposure that these loans entail, we are indifferent to what levels are established for individual commodity loan rates.”

It may be interesting for you to note that the dramatic shift in farm policy in 1996 has also brought about a shift in NCBA policy. A few weeks ago in Denver, our membership voted to strike the language in our policy calling for a “phase-out of all commodity programs.”

But make no mistake, NCBA’s vigilance will continue.

A healthy farm economy is the product of more than just a very expensive commodity title. All of agriculture must begin thinking in terms broader than the level of the current corn loan rate, or how much of the pie is devoted to chickpeas.

To create a healthy farm economy, we need well-balanced farm policy that takes into account the multi-faceted nature of agriculture. We must recognize that 60% of agriculture production receives nothing from the Commodity title that is largely focused on the well being of seven subsidized commodities.

Alternatively, NCBA has focused heavily on the conservation title. So far our efforts have paid off. Both the House and Senate bill provided a tremendous increase in conservation funding and especially in the EQIP program. Not only was funding significantly increased for EQIP but the House provided a significant number of statutory changes that make the program more available to livestock producers. The House reformed priority areas, removed the 1000 head limitation for participants in the program and replaced it with an acceptable payment limitation and recognized soil, water and air quality as important considerations for participation. The Senate adopted some last

minute amendments that will limit participation of producers in the EQIP program. We believe the Senate amendments will hurt producers without helping the environment. There is still work to do in conference.

Why you may ask is the Conservation title so important to NCBA and why should it be important to farmers and the rest of agriculture? The livestock industry will face, by EPA's own estimates, \$1.2 billion per year in added costs to comply with federal regulations. That, my friends is \$1.2 billion per year that won't be available to spend on feed grain. A healthy conservation title that assists livestock producers with these added regulatory costs is just as important to farmers' well being as a healthy commodity title.

NCBA is also heavily focused on trade. We have all heard the statistic that 96% of the world's consumers live outside our border. That is true and we want them all to have the opportunity to eat US beef. The farm bill provides important funding for programs like the Market Access Program and the Foreign Market Development Program. These programs go a long way in helping our government and our industry open up markets to US beef and agricultural products. If we can spend an additional \$7.35 billion per year to support producers that grow the commodities, we should be able to spend another \$120 million or so to help develop markets for the commodities that are produced. And remember meat is value-added grain and oilseeds. Every pound of beef that is exported is equivalent to exporting 7 pounds of grain.

The farm bill is an important vehicle for trade. But it is not the only vehicle. Since the US beef industry began focusing on overseas markets, our exports have grown from virtually zero in the 1970's to a record \$3.6 billion in 2000. This growth did not occur over night. It grew because the industry and our nation made commitments and took a long-term view on trade. Trade negotiations take time. They don't happen over night. Even during my tenure with NCBA, we have only finalized a handful of trade negotiations: US-Japan Citrus Agreement, US-Korea Beef Agreement, Uruguay Round WTO negotiations, NAFTA and PNTR for China. Trade deals require a long-term commitment to finalize. The benefits are gleaned over even a longer term. Often the understanding and commitment needed to initiate and finalize trade agreements get sidetracked while focusing on non-trade issues as was the case in Seattle.

Infrastructure. This is a term we have heard a lot especially since September 11. Our intelligence infrastructure, our human health infrastructure, our agricultural infrastructure. Our military infrastructure.

We have to be careful that we do not mortgage the infrastructure of tomorrow in exchange for expedient and politically attractive spending today. World events have demonstrated the importance of maintaining a nation's animal health infrastructure. BSE and Foot and Mouth disease have devastated the livestock industries in many countries. Thankfully, we have avoided this scourge. The fact that we have avoided many of these diseases thus far is not an accident. We have avoided them because our industry, our government and our private, state and federal animal health professionals have all made a commitment to science-based disease prevention, control and eradication.

However, many of the facilities in which our research, inspection and regulatory professionals work were built during the Eisenhower years and are in need of serious repair. We have 12,000 fewer federal veterinarians today than we had in 1980. I am not arguing that we need 12,000 more, but clearly you can only reinvent and downsize government so far before the preventative infrastructure is eroded. We must recognize that the resources of the federal government are indeed limited. These resources must be used for a mix of long-term and short-term projects. In our zeal to fund today's fad or "emergency" income transfer program, we must not short-change research and infrastructure initiatives that are imperative to providing the foundation of tomorrow's success.

Finally, by necessity NCBA must also focus on the miscellaneous title of the farm bill. The beef industry is going through a significant transformation driven largely by domestic and global competitive forces. Some within the industry and on Capital Hill would enact legislation to stop or roll back change that is resulting in improved beef demand and a larger more viable beef sector. While well intentioned, these efforts to socially engineer the beef industry will only result in preventing change that is necessary to maintain long-term competitiveness. NCBA can not permit a longing for some idealistic past lifestyle and short-term political expediency to short-circuit change and the long-term profitability of the beef industry.

The National Cattlemen's Beef Association is committed to a farm bill that takes a multi-faceted view of agriculture and meets the needs of not only the supported commodities, but of all commodities. Additionally, we recognize that the farm bill cannot resolve many of the real or imagined issues plaguing agriculture. Farm programs must be coordinated and even integrated with well-balanced trade policy, tax policy, environmental policy and monetary/fiscal policy that all work to provide a business climate where all sectors of agriculture have the opportunity to be successful. These issues however, lie outside the jurisdiction of the House and Senate Agriculture Committees and USDA—Agriculture's traditional sphere of influence. Everyone present knows that today's agriculture is more than just cows, sows and plows. I encourage everyone present to help formulate policy that recognizes the 21st century reality and to take a broader approach on the breadth of issues affecting agriculture.

Thank you for your time and attention.